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No. 05-130

IN THE

Supreme Court of the United States

eBAY, INC. and HALF.COM., INC.,

Petitioners,

v.

MERCEXCHANGE, L.L.C.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF *AMICUS CURIAE* OF ELECTRONIC FRONTIER FOUNDATION IN SUPPORT OF PETITIONERS

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STATEMENT OF INTEREST OF AMICUS

Electronic Frontier Foundation (EFF) is a non-profit, membership-supported civil liberties organization working to protect consumer interests, innovation and free expression in the digital world. EFF and its 15,000 duespaying members have a strong interest in assisting the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest. Because the Federal Circuit's automatic injunction rule may impact the exercise of free expression, an issue of critical interest to consumers, EFF believes it has a perspective to share that is not represented by the parties to this appeal, neither of whom speaks directly for the interests of consumers or the public interest generally.

Both parties have consented to the filing of this brief.[1]

SUMMARY OF ARGUMENT

The Federal Circuit Court of Appeals has overstepped its bounds and, in the process, tied the hands of federal judges around the nation. Flagrantly rejecting the plain language of the United States Patent Code and the clear discretionary powers it grants, not to mention longstanding common-law remedies doctrines, the Federal Circuit has imposed an "automatic injunction" rule in patent cases that ignores important equitable considerations—including those affecting free speech and other activities protected by the First Amendment.

Strictly construed, the Federal Circuit's decision holds that a prevailing plaintiff in a patent case is entitled to an

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1. Per Rule 37.6, amicus states that no counsel for any party has participated, in whole or in part, in writing, or paying for, this brief. Both parties have consented to the filing of this brief and copies of their letters of consent are being filed concurrently with this brief.

language." Mark Lemley, Patent Reform Legislation, Testimony before the Senate Committee on the Judiciary, June 14, 2005, *at http://judiciary.senate.gov/testimony.cfm?id=1535&wit_id=4352*. This Court should pull the Federal Circuit back in line with its legislative mandate.

B. The Automatic Injunction Rule Dramatically Departs From Intellectual Property Remedies Doctrine.

The Federal Circuit also strays from relevant intellectual property jurisprudence. Court after court—including the Federal Circuit itself in previous decisions—has followed Congress' mandate and interpreted Section 283 to require the application of traditional equitable principles. *See, e.g., Roche Prods.*, 977 F.2d at 865 ("whether an injunction should issue . . . and the form it should take, certainly depends on the equities of the case."); *Odetics v. Storage Tech. Co.*, 14 F. Supp. 2d 785, 788 (E.D. Va. 1998), *aff'd* 185 F.3d. 1259 (Fed. Cir. 1999) ("the law is well settled that an injunction shall not issue with respect to any infringing product for which infringement the patentee has been awarded full compensation"); *NTP v. Research in Motion*, 2003 WL 23100881 (E.D. Va. 2003), *affirmed in part, vacated in part and remanded on other grounds in* 392 F.3d 1336 (Fed. Cir. 2004) (ordering permanent injunction where patent found valid and infringed and traditional equitable principles favored injunction); *B & H Mfg. Inc. v. Owens-Illinois Glass Container Inc.*, 22 U.S.P.Q.2d 1551, 1552 (N.D. Ga. 1991) (granting permanent injunction where patent infringed and "standard equity analysis" favored the plaintiff); *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 711 F. Supp. 1205, 1227 (D. Del. 1989) (employing "historical equitable principles applicable to injunctions" in entering injunction against patent infringer) (internal citations omitted). These courts recognized that while permanent injunctions may be

the "general rule" in patent cases, judges may not abandon their obligations to consider the equities of the particular case before them.

Copyright and trademark cases interpreting analogous statutes reflect the same patterns. While courts acknowledge a general rule favoring injunctive relief in both arenas, no court has read that general rule to deprive judges of the authority to exercise their discretion. With respect to trademark, the Lanham Act provides that courts may "grant injunctions *according to principles of equity* and upon such terms as the court may deem reasonable." Lanham Act § 34, 15 U.S.C. § 1116 (emphasis added). Courts have reasonably interpreted that statute to require consideration of traditional equitable principles prior to the issuance of a permanent injunction. *See, e.g.*, *Shields v. Zuccarini*, 254 F.3d 476, 486 (3d Cir. 2001) (permanent injunction appropriate where district court properly determined injunction would be in public interest and plaintiff would be irreparably harmed absent an injunction); *CFM Majestic, Inc. v. NHC, Inc.*, 93 F. Supp. 2d 942, 958-59 (N.D. Ind. 2000) (to obtain a permanent injunction, [plaintiff] must show that traditional equitable principles favor injunctive relief); *Partido Revolucionario Dominicano (PRD) Seccional Metropolitana de Washington-DC, Maryland y Virginia v. "Partido Revolucionario Dominicano, Seccional de Maryland y Virginia,"* 312 F. Supp. 2d 1, 10 (D.D.C. 2004) (same).

Similar discretion is exercised in copyright cases, even though the Copyright Act broadly authorizes courts to grant "final injunctions on such terms as [they] may deem reasonable." Despite this broad authorization, "final injunctive relief is not automatic." Paul Goldstein, *Goldstein on Copyright* § 13.2.1.1 (3d Ed. 2005); *see also, e.g.*, *New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001) ("it hardly follows from today's decision [finding infringement] that an

injunction . . . must issue"); *Dun v. Lumberman's Credit Assoc.*, 209 U.S. 20, 20-21 (1908) (declining to issue injunction where defendant misappropriated some information and records from plaintiff's copyrighted work, but defendant's final product contained twenty-five percent more names and six times more subjects of information than the plaintiff's original text; "the proportion [of copying] is so insignificant compared with the injury from stopping appellee's use of their enormous volume of independently acquired information, that an injunction would be unconscionable."); *Taylor Corp. v. Four Seasons Greetings*, 403 F.3d 958, 967 (8th Cir. 2005) (propriety of a permanent injunction depended on balancing "(1) the threat of irreparable harm to the moving party; (2) the balance of harm between this harm and the harm suffered by the nonmoving party if the injunction is granted; and (3) the public interest."); *New Era Pubs. Int'l, APS v. Henry Holt Co.*, 884 F.2d 659, 661 (2nd Cir. 1989) (Miner, J., concurring) (injunctive relief should not be regarded as a mandatory, automatic sentence for a infringer: "equitable considerations are always germane to the determination of whether an injunction is appropriate."); *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988) (finding "special circumstances" that would cause "great injustice" to defendants and "public injury" were injunction to issue), *aff'd sub nom. Stewart v. Abend*, 495 U.S. 207 (1990).

Moreover, copyright jurisprudence explicitly acknowledges what the Federal Circuit has forgotten: the "nice adjustment" between public and private interests that consideration of the equities requires is crucial in the intellectual property law context. In *Campbell v. Acuff-Rose Music*, for example, this Court observed that "courts may also wish to bear in mind that the goals of the copyright law, 'to stimulate the creation and publication of edifying matter,' [citation omitted] are not always best served by automatically

granting injunctive relief when parodists are found to have gone beyond the bounds of fair use." 510 U.S. 569, 578 n.10 (1994), citing Pierre Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1132 (1990) (while in the "vast majority of cases, [an injunctive] remedy is justified because most infringements are simple piracy," such cases are "worlds apart from many of those raising reasonable contentions of fair use" where "there may be a strong public interest in the publication of the secondary work [and] the copyright owner's interest may be adequately protected by an award of damages for whatever infringement is found").

Thus, the intellectual property case law makes it clear that public interest considerations must play a role in the determination of permanent injunctive relief, particularly where that relief may impact freedom of expression.

II. THE FEDERAL CIRCUIT'S AUTOMATIC INJUNCTION RULE DOES NOT PERMIT DUE CONSIDERATION OF COUNTERVAILING FREE SPEECH INTERESTS

This case comes before this Court at an opportune time. Every day, more and more citizens are using technology to exercise their First Amendment rights online. As a result, the Internet has become a

> dynamic, multifaceted category of communication [that] includes not only traditional print and news services, but also audio, video and still images, as well as interactive, real-time dialogue. Through the use of chat rooms, any person with a phone line can become a town crier with a voice that resonates farther than it could from any soapbox. Through the use of Web pages, mail exploders, and newsgroups, the same individual can become a pamphleteer.

Reno v. Am. Civil Liberties Union, 521 U.S. 844, 870 (1997). At the same time, the number of patents on Internet technologies has increased exponentially. Judicial decisions regarding issuing or denying injunctions on the use of these technologies may shape the future of online speech. In particular, consideration of the third traditional equitable factor—the impact of the patent injunction on the public interest—will play a crucial role in mediating between the Intellectual Property Clause and the First Amendment.

A. Patents Are Increasingly Affecting Free Expression Online.

Twenty years ago, it might have been possible to dismiss the public interest factor as effectively met by a prior infringement finding, absent a public health issue, because it could be assumed that the principal public interest at stake in patent litigation was the promotion of innovation through the patent system. *See, e.g., Polaroid v. Eastman Kodak*, 641 F. Supp. 828, 876 (D. Mass 1985), *denial of stay aff'd.*, 833 F.2d 930 (Fed. Cir. 1986) ("the public policy at issue in patent cases is the 'protection of rights secured by valid patents'"), quoting *Smith Int'l v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir., *cert. denied*, 464 U.S. 996 (1983).

Today this is no longer the case. Many new and pending patents "appropriate methods of communication." John R. Thomas, *Liberty and Property in the Patent Law*, 39 HOUS. L. REV. 569, 588 (2002). The United States Patent and Trademark Office has issued patents on methods for downloading video programs, publishing web pages, sending email messages, making internet telephone calls, and even fundraising online. Injunctions against uses of these technologies—and many similar technologies—must inevitably implicate free speech concerns.

Consider, by way of example, Acacia Research's aggressive campaign to enforce its patent on sending and receiving of streaming audio and video over the Internet. U.S. Patent No. 5,132,992 ("Audio and video transmission and receiving system"); Teresa Riordan, *A Patent Owner Claims to Be Owed Royalties on Much of the Internet's Media Content*, N.Y. Times, Aug. 16, 2004, at C6 ; M. Hachman, *Acacia Wins Small Victory against Porn Firms*, Extreme Tech, July 16, 2003, *at http://www.extremetech.com/article2/0,1558,1195937,00.asp*. This patent could cover everything from the transmission of home movies to documents to music—in other words, it could arguably cover most of what individuals, private corporations, political action committees, governments, etc. communicate on the Internet. Any injunction against an infringer could therefore affect the ability of thousands, perhaps millions, of innocent end users to communicate. Courts must be allowed to consider such impacts on speech prior to issuing any injunction.

Acacia's campaign is just the tip of the iceberg. As of this writing, no less than 212 patent applications are now pending on technologies designed for use in connection with "web logs" or "blogs" *i.e.*, Internet-based publications consisting primarily of periodic short writings and images.[2] *See, e.g.* William F. Patry, "The Patry Copyright Blog" *at http://www.williampatry.blogspot.com* (commenting on developments in copyright law); Multiple Authors, "SCOTUSblog" *at http://www.scotusblog.com/movabletype/* (reporting and commenting on United States Supreme Court

2. *See, e.g.*, U.S. Patent App. No. 20050055639 ("Relationship User Intereface"); U.S. Patent App. No. 20040267887 ("System and Method for Dynamically Managing Presence and Contact Information"); U.S. Patent App. No. 20040076345 ("Method for Referencing Image Data"); U.S. Patent App. No. 20030187739 ("System and Method of Providing and Interface to the Internet"); U.S. Patent App. No. 20020156879 ("Policies for Modifying Group Membership").

jurisprudence and politics). If the Internet is "a vast platform from which to address and hear from a world wide audience," *Reno*, 521 U.S. at 583, then blogs are an increasingly popular means by which individuals ranging from teenagers to political advocates to corporate executives speak on that platform. Blog content encompasses everything from highly personal writings to relatively neutral news reporting, and may reflect the contributions of one person or the collaboration of a large community. In the few short years of their existence, blogs have become crucial sources of expression and information. For example, in the aftermath of Hurricane Katrina, bloggers located in or near New Orleans provided timely first person accounts of the devastation. *See, e.g., Bloggers Joel and Jake Visit NOLA for Geek Aid*, September 10, 2005, *at http://www.boingboing.net/2005/09/10/katrina_bloggers_joe.html*; *Katrina: 'Rape, Murder, Beatings' in Astrodome, Say Evacuees*, September 7, 2005, *at http://www.boingboing.net/2005/09/07/katrina_rape_murder_.html*. The same outpouring of expression has occurred via the Internet regarding such topics as the War in Iraq and the 2004 Election. *See generally* Beth Potier, *How Did Internet Affect Election*, Harvard Univ. Gazette, Dec. 16, 2004, *at http://www.news.harvard.edu/gazette/2004/12.16/13-netvote.html*; Kathy Kiely, *Freewheeling 'Bloggers' Are Rewriting Rules of Journalism*, USA Today, Dec. 30, 2003, *at http://www.usatoday.com/news/politicselections/nation/2003-12-30-blogging-usat_x.htm*; *Bloggers and Journalists*, Online NewsHour, Feb. 14, 2005, *at http://www.pbs.org/newshour/bb/media/jan-june05/blog_2-14.html*. Moreover, many weblogs enable visitors to leave public comments, which can lead to a community of writers centered around the blog.

If patents are issued on blogging technologies, patent owners could threaten to shut down both bloggers and their commentators with automatic injunctions. Basic free speech values mandate that courts must at least consider such

potential effects before issuing a permanent injunction. The Federal Circuit's new standard offers little leeway for that consideration.

Political expression in the world of online grassroots activism may also be threatened. Consider a pending patent application that encompasses:

> A method for conducting a fundraising campaign by an organization or person over a wide-area network, comprising the steps of: hosting a website including a plurality of linked web pages, the website providing information about the fundraising campaign and soliciting potential donors to make a charitable contribution to the fundraising campaign; registering on the website; *contacting third parties via email messages soliciting charitable donations; and providing one or more reports, on the website, including information on the status of the fundraising campaign.*

"Method and system for an efficient fundraising campaign over a wide area network," U.S. Patent App. No. 20020091538 (emphasis added). Should the applicant succeed in obtaining this patent, it could seek injunctions against virtually every nonprofit in the nation, based, in large part, on those nonprofits expressive activity of contacting potential donors and providing information regarding those contacts. Moreover, such injunctive relief might be dangerously timed. Imagine the impact, for example, of timing one's motion to enjoin political advocates such as the Republican National Committee or Moveon.org from fundraising so that the injunction went into effect six months before an important election. Indeed, the threat of such a result could lead these groups to pay questionable license fees to the patent holder because the damage to their First Amendment

rights while the injunction was pending appeal would be irreparable.[3] This is not the proper balance of harms and equities, especially where freedom of expression is concerned.

Further, the Federal Circuit's rule potentially threatens yet another First Amendment concern—academic freedom. Every day, more and more entities are attempting to patent online education and research tools, from methods used in distance learning to online instruction in language, music, and mathematics—including a patent on using inductive reasoning to teach vocabulary.[4] An injunction against the use of these methods could directly impinge on academic speech and, by extension, academic freedom, long recognized as "a special concern of the First Amendment." *Keyeshian v. Bd. of Regents*, 385 U.S. 589, 603 (1967).[5] If, as this Court has

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3. Petitioners eBay, Inc., and Half.com, Inc., and amici America Online, Inc., Cisco Systems, Inc., and the Computer and Communications Industry Association have detailed the improper leverage the Federal Circuit's new injunctive relief standard would give to patent holders. Amicus EFF shares their concerns and, to avoid undue repetition, incorporates their arguments by reference here.

4. *See* U.S. Patent No. 6,513.042 ("Method for administering tests, lessons, assessments, and surveys on the Internet, scoring them, and maintaining records of test scores online"); U.S. Patent No. 5,649,826 ("Method and Device for Teaching Language"); U.S. Patent No. 6.015,947 ("Method of Teaching Music"); U.S. Patent No. 6,120,297 ("Vocabulary Acquistion [sic] Using Structure Inductive Reasoning"); U.S. Patent No. 6,155,836 ("System for Teaching Mathematics").

5. For example, Test.com has threatened several universities with lawsuits based on its patent claiming "A method of making a tests, assessments, surveys and lesson plans with images and sound files and posting them on-line for potential users." U. S. Patent No. 6,513,042; *see* Dan Carneval, *Company Claims to Own Online Testing*, Chron. Higher Ed., Mar 26, 2004, at 31.

declared, "Our Nation is deeply committed to safeguarding academic freedom, which is of transcendent value to all of us," *Regents of the Univ. of Calif. v. Bakke*, 438 U.S. 265, 312 (1978), then courts must have discretion to consider whether an injunction risks violating that commitment.

Finally, injunctive relief may even hamper the public interest in critical emergency communications. Congress' recent public plea to legal adversaries Research in Motion, Inc. (the manufacturer of technology that forwards a user's incoming email to a handheld device—called a Blackberry—via a customer-selected wireless network) and NTP, Inc., is a case in point. The House of Representatives' chief administrative officer asked the parties to settle their dispute over the rights to the Blackberry devices because any injunction shutting down the BlackBerry service could create "a serious risk to the House's critical communications and could jeopardize the public interest, particularly in the even of an emergency." *See* Jonathan Krim, *House Makes Plea to Keep Blackberrys*, Wash. Post, Jan. 17, 2003, at E01. Perhaps recognizing the ramifications of the litigation, the district court appropriately gave due consideration to traditional equitable principles before it that granted permanent injunctive relief to NTP—as it was required to do before the Federal Circuit imposed its new and untenable standard. *NTP*, 2003 WL 23100881 at *2.

These examples are but a small sampling of visible threats to free speech that patents present, relating primarily to Internet-based technologies. It is virtually certain that as new Internet technologies of communication develop, the need to assess the free speech implications of patents on those technologies will grow as well. Nor is there any reason to suppose that that need will be confined to injunctions affecting Internet technologies. If computer source code can be understood as "expression for First Amendment purposes." *Bernstein v. United States Dept. of Justice*, 176

F.3d 1132, 1139 (9th Cir. 1999), injunctions preventing use of a wide range of infringing software could impact the public interest in free speech in ways we cannot yet anticipate. Traditional equitable principles give judges both the flexibility and the rich precedential history they will need to deal with these new challenges.

B. Consideration of The Public Interest In Free Speech Should Not Be Exceptional But Rather Routine.

Amicus recognizes that the Federal Circuit did leave open a tiny "public interest window" by holding that judges may decline to enter an injunction when the injunction frustrates "an important public need." *MercExchange*, 401 F.3d at 1338. Taken in isolation, this holding could be read simply to restate the traditional equitable principle that injunctions may be denied if the third factor (impact on the public interest) so mandates.

Unfortunately, the court went a good deal further. First, the court effectively shifted the burden of proof to require defendants to establish the existence of an "important public need." Second, the only "important public need" that the court identified as sufficient to support denial of an injunction was "the need to use an invention to protect the public health." *Id.* Third, the court held that the growing public concern regarding the proliferation of business method patents did not qualify as an "important public need"—but failed to explain why. One valid reason for this growing public concern has been its effect on free expression online—something the Federal Circuit showed no interest in exploring or allowing any district court judge to explore. Fourth, the court took pains to stress that "the general rule" is "that court will issue permanent injunctions against patent infringement absent *exceptional circumstances*." *Id.* at 1339 (emphasis added).

The public interest should not take a backseat in patent cases. Courts of equity have long held that the public interest is an essential and fundamental factor in injunctive relief analysis, not something to consider only in "exceptional circumstances." As discussed supra at section I.B and in Petitioners' Brief at 17-22, it is axiomatic that courts must consider the public interest in the course of exercising their equity powers, absent a specific Congressional mandate to the contrary. "[I]t is the duty of a court of equity granting injunctive relief to do so upon conditions that will protect all-including the public-whose interests the injunction may affect." *Inland Steel v. United States*, 306 U.S. 153, 157 (1939); *see also Meredith v. City of Winter Haven*, 320 U.S. 228, 235 (1943) ("An appeal to the equity jurisdiction conferred on federal district courts is an appeal to the sound discretion which guides the determinations of courts of equity [citation omitted]. Exercise of that discretion by those, as well as by other courts having equity powers, may require them to withhold their relief in furtherance of a recognized, defined public policy."). The Federal Circuit does not explain, much less support, its decision to reject these black-letter rules.

Moreover, the public interest should not be limited to narrow issues such as "risk to public health" but rather kept broad and flexible so that courts may consider whatever issues pertain to a particular situation and circumstance. Again, this is nothing more than black-letter law. *Hecht Co.*, 321 U.S. at 329 ("The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it.").

Indeed, the Federal Circuit's narrow "important public need" standard is particularly offensive when injunctive relief implicates free speech concerns. Courts assessing the propriety of injunctive relief in other contexts routinely

consider First Amendment interests as part of the third equitable factor. This Court has held that injunctions "carry greater risks of censorship and discriminatory application than do general ordinances" and "require a somewhat more stringent application of general First Amendment principles." *Madsen v. Women's Health Ctr.*, 512 U.S. 753, 764-65 (1994). The Federal Circuit offers no reason why the *Madsen* rule should not apply to injunctions in patent cases.

This Court should ensure that the public interest is not forgotten in patent litigation by rejecting the Federal Circuit's radical and unnecessary departure from the traditional injunction test and reaffirming consideration of the public interest as a routine and essential step in the exercise of judicial discretion.

CONCLUSION

The Federal Circuit's effort to calcify a "general rule" into a mandate deprives judges of their statutorily mandated discretion and frustrates both the intent of the Patent Act and the public interest. This Court should grant the Petition in order to correct the standard for patent injunctions and restore judges' ability to take full account of the public interest.

Respectfully submitted,

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